



**DEPARTMENT OF THE ARMY**  
**HEADQUARTERS UNITED STATES ARMY FORCES COMMAND**  
**1777 HARDEE AVENUE SW**  
**FORT MCPHERSON GEORGIA 30330-1062**

REPLY TO  
ATTENTION OF

**SEP 16 1997**

AFLG-PR

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Contracting Information Letter (CIL) 97-43,  
International Merchant Purchase Agreement Card (IMPAC) Program

1. The purpose of this CIL is to provide information on the following issues:

- a. Draft solicitation for charge cards.
- b. Purchase Card Joint Report.
- c. Clarification on use of wholesale supply system with IMPAC.
- d. Lessons learned from the Rocky Mountain Bank Card System conversion to First Bank's Corporate Payment System (CPS).
- e. Resolution of Delinquent Rocky Mountain Bank Accounts.
- f. Micro-purchases.
- g. Accommodation Checks.
- h. Use of IMPAC for Transportation.
- i. Electronic Catalogs.
- j. Ratification of unauthorized commitments involving purchase cards.
- k. Change to Standard Document Number for IMPAC transactions.
  - l. Internal Controls for the IMPAC Program.
  - m. Reporting Purchase Card Fraud.
  - n. IMPAC Users Conference Information Item.

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2. Draft solicitation for purchase card. The web site for the IMPAC draft statement of work, including comments received, may be found at <http://pub.fss.gsa.gov/fm/future>. New contracts for purchase card, fleet card, and travel card are scheduled to be awarded in Dec 97 with performance beginning in fall of 98.

3. Purchase Card Joint Report. The Deputy Secretary of Defense, John P. White, approved for implementation the recommendations of the Joint Procurement and Financial Management Process Action Team's Report on the use of the government purchase card. The teams were tasked to determine standardized DoD policies and procedures necessary to promote and streamline the Department's use of the government purchase card. The report is found on the Acquisition Reform home page at <http://www.acq.osd.mil/ar/doc/purchas.pdf>.

4. Clarification on use of wholesale supply sources.

a. There are five GSA Advantage office supply companies having special GSA priced catalogs which include JWOD priced items. For purchases under \$2500, a cardholder is only required to go to one of the five sources. However, cardholders should be informed that prices in the GSA catalog may be manufacturer prices and do not reflect the government's discounted rate. If purchases exceed \$2500, the contracting office should follow guidance at FAR 8.404(b)(2) to ensure the government receives the best value.

b. The cardholder is not required to rotate among GSA office supply companies, but rotation is recommended.

c. Cardholders are not required to purchase a GSA priced item that is higher than an equivalent open market item, **UNLESS** the item is identified as a mandatory source item (NIB, NISH, UNICOR). GSA Multiple Award Schedules have a higher priority than ordering off the open market. However, this does not preclude buying open market if a better price can be obtained. Mandatory sources can only be waived if the items are not available or the required delivery cannot be met.

d. Acquisition regulations permit negotiating lower prices with GSA schedule vendors based on market research. This is most effective in negotiating master agreements to reap economies of scale.

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e. Ms. Eleanor Spector, Director, Defense Procurement, urges contracting offices to take full advantage of GSA Schedule contracts for covered supplies/services. Use of these contracts meets DoD goals to simplify the acquisition process and increases the contracting officer's ability to make sound business decisions. Nine value-added improvements to GSA supply schedules are identified. A copy of DP/CPA memorandum, 6 Mar 97, subject: General Services Administration (GSA) Federal Supply Schedules as Preferred Sources of Supply, is at encl 1.

5. Lessons learned from the Rocky Mountain Bank Card System conversion to First Bank's Corporate Payment System (CPS).

a. Cardholder accounts can only be set up under established billing officials (Approving Officials). If the Approving Official's (AO) account cannot be identified, the cardholder's application will reject. If the Approving Official has an assigned company number, this must be included on the cardholder setup form to ensure the application will not reject.

b. Agency Program Coordinators (APCs) cannot set up an Approving Official account using First Link at this time; this must be done by the bank until a procedure is established whereby the APC can do this electronically. Until then, APCs should complete the Billing Official Setup and Maintenance Form and fax to IMPAC Card Services. The Bank is preparing instructions on how to complete setup forms. Instructions should be available by the end of September. Main reasons for rejects are (1) no agent number, (2) no APC name, and (3) no AO company number on the set up forms.

c. In the past, when a cardholder's monthly limit was increased, the AO limit was increased simultaneously. This is impossible to do under CPS at present since changes to the AO limit can only be made by IMPAC Card Services. To streamline this process, we recommend that the AO limit be set higher than the aggregate of all cardholders under this account. The budgeted dollars are not affected since they are based on cardholder limits.

d. Billing Statements and cardholder Statements of Account (SOA) should be mailed at the same time (probably within two days, but the contract requires they be mailed not later than five days after the end of the billing cycle). This apparently did not happen in August. If billing statements and SOAs are

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postmarked on different days, fax a copy of the postmarked envelopes to David Clonts at (202) 408-7696. Be sure to provide account numbers. Also, mailing Billing Statements and SOAs from different geographical areas may have contributed to the delayed receipt of SOAs.

e. Approving Officials must ensure billing statements are date stamped when received, contain the amount approved for payment (current billing activity), show the correct accounting classification, and are forwarded to the disbursing office timely (must be received within 15 calendar days). Billing Statements shall not be delayed until receipt of reconciled SOAs. If SOAs are not received timely, delayed dispute procedures must be followed. Failure to follow procedures in DoD's Purchase Card Reengineering Memorandum #3 will result in payment of interest penalties. We strongly recommend paying the invoice in full, regardless of reason, and obtain credit on the next statement.

f. Changes to cardholder accounts are usually batch processed in the evening on the day the changes are made. This is not as convenient as real time changes that were available on the RMBCS platform. However, changes at the point of sale can be made manually by getting an approval code telephonically from the Bank.

g. New Agency Program Coordinator Guides have been mailed to APCs. Contact David Langenberger at (612) 973-7589, or fax to extension 7575, if your guide was not received.

h. An article from the Acquisition Reform Office on the Conversion to CPS and implementation of new certifying officer legislation from the May-Jun 97 issue of Army RD&A Magazine is enclosed for your information (encl 2).

6. Resolution of Delinquent Rocky Mountain Bank Accounts.

a. Reference SARD-PI memorandum, 3 Sep 97, subject: Delinquent Invoices from Rocky Mountain Bank Card System (RMBCS) for the International Merchant's Purchase Authorization Card (IMPAC) (encl 3).

b. Installations should refocus on clearing FY 97 invoices, both RMBCS and CPS. Resolution of remaining prior year delinquencies (beginning with the 23 Sep 96 invoices) will be negotiated between DA and the Bank. On-going investigations of

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improper charges or unresolved disputes will be excluded from the negotiations.

7. Micro-purchases. The Under Secretary of Defense, R. Noel Longuemare, issued a policy memorandum on 20 Mar 97, subject: Micro-purchases. The memo is effective 1 Oct 97 and requires written SES/General Officer approval to award contracts/purchase orders for commercial items \$2500 or less, with certain exceptions. The policy has not been implemented by Army because it is being revised. The memorandum can be viewed at <http://www.acq.osd.mil/dp>.

8. Accommodation Checks. Under Secretary of Defense (Comptroller) issued policy on use of accommodation (Visa) Checks in Purchase Card Reengineering Implementation Memorandum #5 dated 5 Aug 97. A copy of the memo and policy and procedures are at encl 4. This is provided for your information and initial planning purposes. Implementation instructions from Army and FORSCOM are forthcoming.

9. Use of IMPAC for Transportation. For your information, there is a work group currently considering the use of the purchase card to pay for non-temporary storage. This would eliminate the need for Government Bills of Lading (GBLs). The procedure will be tested before a final decision is made.

10. Electronic Catalogs. At encl 5 is a memorandum from Steven Kelman, 14 Mar 97, subject: Electronic Catalogs. Request you continue to emphasize to your purchase card holders and Approving Officials the significant savings available using electronic catalogs such as GSA Advantage and DLA Electronic Mall rather than retail outlets.

11. Ratification of unauthorized commitments involving purchase cards. We observed on recent Contract Management Reviews (CMRs) that some purchase card transactions were processed as unauthorized commitments because the vendor did not have procedures established for accepting the Purchase Card (Visa), although both the Government cardholder and the vendor, at the time of purchase, thought the card was acceptable. Purchase order procedures were used to finalize the purchase. It appears that there may be no compelling reason to use costly ratification procedures for these low dollar value purchase card problems, where the cardholders have the purchase authority, but a different purchase tool becomes necessary. However, in other

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situations (e.g., purchase amount exceeds cardholder limit, individual other than the cardholder authorized the purchase, etc.), ratification may be appropriate.

12. Change to Standard Document Number (SDN) for IMPAC transactions. DFAS Message, 111600Z JUN 97, subj: Standard Document Numbers (Acctg Pol Impl Msg 97-51) (encl 6) is provided for your information and implementation. Using option (2) for SDN positions 6-9 will reduce DFAS fees and manual changes to the accounting classification. Coordinate with your resource manager. This message was previously provided via e-mail.

13. Internal Controls for the IMPAC Program. We continue to receive inquiries as to why property book officers (PBO) cannot be cardholders. There is no prohibition to this in acquisition regulations. However, the Standards for Internal Controls established by the Comptroller General (encl 7) define minimum levels of quality acceptable for management control systems. One of the specific standards is Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. The management control evaluation checklist identifies this as a prohibited relationship. Exceptions should be made on a case by case basis by the chief of the contracting office depending on the circumstances and the management controls that are developed.

14. Reporting Purchase Card Fraud.

a. Reference SARD-PI memorandum, 3 Sep 97, SAB (encl 8). This document deals with two types of fraud: cardholder and "other than cardholder". Your assistance is required to ensure duplicative charges and charges not authorized or made by the cardholder are immediately disputed with the bank.

b. A copy of this memorandum should be disseminated to all cardholders and approving officials, and increased emphasis given to disciplinary actions that can be taken in case of cardholder fraud or misuse (e.g., splitting purchases).

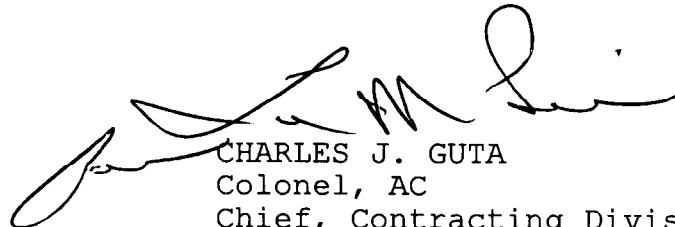
c. Additionally, we have learned that some GSA supply centers are forcing charges against cards that have been canceled, sometimes for up to a year or more. To stop this practice, these charges should be immediately disputed and monitored for credit on the subsequent billing statement.

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15. IMPAC Users Conference Information Item. At enclosure 9,  
for your information, is trip report on the Users Conference at  
New Orleans, LA, 29 Jul- 1 Aug 97.

16. For additional information regarding this CIL, please  
contact either Mrs. Pat Boterweg (contracting issues), DSN 367-  
5486, commercial (404) 464-5486; or Ms. Raelene Wilson (finance  
issues), DSN 367-5319, commercial (404) 464-5319.

9 Encls



CHARLES J. GUTA  
Colonel, AC  
Chief, Contracting Division, DCSL&R  
Principal Assistant Responsible  
for Contracting

SUBJECT: Contracting Information Letter (CIL) 97-43,  
International Merchant Purchase Agreement Card (IMPAC) Program

DISTRIBUTION:

COMMANDER,

III CORPS AND FORT HOOD, ATTN: AFZF-DOC

III CORPS AND FORT HOOD, ATTN: AFZF-RM

XVIII ABN CORPS AND FORT BRAGG, ATTN: AFZA-DC

XVIII ABN CORPS AND FORT BRAGG, ATTN: AFZA-RM

FORT RILEY, ATTN: AFZN-DOC

FORT RILEY, ATTN: AFZN-RM

FORT CARSON, ATTN: AFZC-DOC

FORT CARSON, ATTN: AFZC-RM

JRTC AND FORT POLK, ATTN: AFZX-DOC

JRTC AND FORT POLK, ATTN: AFZX-RM

I CORPS & FORT LEWIS, P.O. BOX 33931, ATTN: AFZH-DOC

I CORPS & FORT LEWIS, ATTN: AFZH-RM

3D INFANTRY DIVISION (MECH) & FT STEWART, ATTN: AFZP-DC

3D INFANTRY DIVISION (M) AND FORT STEWART, ATTN: AFZP-RM

101ST AIRBORNE DIV (AASLT) AND FORT CAMPBELL, ATTN: AFZB-DOC

101ST AIRBORNE DIV (AASLT) AND FORT CAMPBELL, ATTN: AFZB-RM

FT DEVENS, ATTN: AFRC-FMD-DOC

FT DIX, ATTN: AFZT-DOC

10TH MOUNTAIN DIVISION AND FT DRUM, ATTN: AFZS-DOC

10TH MOUNTAIN DIVISION (LI) AND FORT DRUM, ATTN: AFZS-DRM

FT MCCOY, ATTN: AFRC-FM-DC

NATIONAL TRAINING CENTER & FT IRWIN, ATTN: AFZJ-DC

NATIONAL TRAINING CENTER AND FORT IRWIN, ATTN: AFZJ-RM

ARMY ATLANTA CONTRACTING CENTER, ATTN: AFLG-PRC

FORT MCPHERSON, ATTN: AFZK-RM

USASC, FORT HUACHUCA, ATTN: AFSC-LOO

FORSOM SADBUD OFFICE, AFLG-CS-SB

AFCG-JA-CL

AFRM-RI-PS





OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000



ACQUISITION AND  
TECHNOLOGY

MARCH 6, 1997

DP/CPA

MEMORANDUM FOR DISTRIBUTION

SUBJECT: General Services Administration (GSA) Federal Supply  
Schedules as Preferred Sources of Supply

I recently met with Mr. Bill Gormley, Assistant Commissioner, Office of Acquisition, for the Federal Supply Service (FSS) at GSA, regarding the many improvements made to FSS Schedule contracts. There have always been many advantages to schedule use. GSA seeks competition, determines price reasonableness, and considers small business set-aside requirements when it solicits and awards contracts. In addition, orders under these schedules comply with the requirements of the Economy Act. Recent innovative changes mirroring commercial practices, to include use of the Internet, have made GSA schedules even more efficient to use. I have attached a listing of these changes.

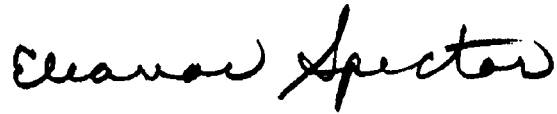
Among the many improvements, the elimination of schedule maximum order limitations and the new ability to negotiate prices on individual orders without changing the basic schedule price are especially important. Additionally, DoD procurement offices may establish teaming arrangements among more than one schedule contractor to satisfy a requirement allowing even more flexibility and speed in the placement of orders and the delivery of products. GSA Advantage!, an on-line shopping service available over the World Wide Web at <http://www.gsa.gov> (or through the Defense Procurement homepage - <http://www.acq.osd.mil/dp>), offers the convenience of on-line ordering, and, in most cases, acceptance of the government credit card.

I also wish to point out the removal of the synopsis requirement on purchases over \$50,000 made from FSS Automatic Data Processing or Information Technology contracts.



Encl 1

I urge you to take full advantage of GSA Schedule contracts if you need supplies or services that are covered under them. Use of these contracts meets DoD goals to simplify the acquisition process while at the same time increasing the contracting officer's authority and ability to make sound business judgments.

A handwritten signature in black ink, reading "Eleanor Spector". The signature is fluid and cursive, with the first name "Eleanor" and the last name "Spector" clearly distinguishable.

Eleanor R. Spector  
Director, Defense Procurement

Attachment

**GENERAL SERVICES ADMINISTRATION  
FEDERAL SUPPLY SCHEDULES (FAR 8.404)  
VALUE-ADDED IMPROVEMENTS**

✱ **SYNOPSIS NOT REQUIRED**

Customers no longer need to synopsise Information Technology requirements that are over \$50,000.

✱ **CREDIT CARD**

Use of the Governmentwide Credit Card is strongly emphasized.

✱ **BEST VALUE**

Item selection is based on "BEST VALUE" - not lowest price.

✱ **REDUCED PAPERWORK**

Justifications/documentation requirements are no longer required by GSA.

✱ **REMOVAL OF MAXIMUM ORDER LIMITATIONS (MOLS)**

Customers can use the schedules for any size order. MOLS have been removed from 90% of the Federal Supply Schedules. MOLS will be removed from all schedules by 11/97.

✱ **BLANKET PURCHASE AGREEMENTS (BPAs)**

BPAs are encouraged strongly. A new suggested BPA format is available.

✱ **CONTRACTOR TEAM ARRANGEMENTS**

Federal Supply Schedule Contractors can form "Teams" to meet a customer's needs.

✱ **PRICE REDUCTIONS**

Customers are strongly encouraged to seek reductions when orders are above the new maximum order threshold. Contractors can give "spot reductions" to individual agencies without passing them on to the entire government under a schedule order.

✱ **IMPROVED DELIVERY**

Expedited delivery is now available with Schedule contractors.

Federal Supply Schedule Program Website: <http://pub.fss.gsa.gov/fcoc/sched.htm>

Attachment

## From The Acquisition Reform Office...

### Army Contracting For Force XXI

A Functional Area Assessment (FAA) of the contracting function was conducted in response to Army leadership direction to redesign the institutional/TDA Army to effectively and efficiently perform Title 10 functions necessary to support a redesigned Army warfighting organization—Force XXI. Taskings to the Contracting FAA included the validation of savings and FTE spaces identified for the 98-03 POM, examining the feasibility of allowing only one contracting office per installation and selection of best contracting organization option for Force XXI. The key tasking, selection of the best contracting organization to support Force XXI, resulted in the selection of an Army-wide contracting organization based upon a MACOM “centers and satellites” approach. With concurrence of the Army Vice Chief of Staff on Oct. 30, 1996, the Army moved out with implementation of this approach. It requires all MACOMs (except the U.S. Army Corps of Engineers and the National Guard Bureau) to develop and identify their main centers and satellites for consolidation of contracting actions, and regionalize all negotiated contract actions over \$500,000 at one or more “centers.” MACOMs have the option of consolidating lesser value contracts as well. It is anticipated that satellite installations will retain responsibility for simplified acquisitions, credit card purchases, customer interface and contract administration functions. MACOM implementation plans for the centers and satellites approach should, at a minimum, identify the specific center(s) and satellites; the dollar threshold for the consolidation efforts; implementation milestone dates; proposed MACOM organizational structure; and plans for establishing MACOM-wide consolidated or master contracts, particularly for maintenance contracts. Acquisition organizations should also incorporate acquisition reform strategic planning as part of its implementation, identifying any regulatory obstacles that are hindering reorganization efforts.

### Past Performance Information Management System February 1997

In passing the Federal Acquisition Streamlining Act (FASA), signed into law (P.L. 103-355) by the President on Oct. 13, 1994, Congress acknowledged that it is both appropriate and relevant for the a government official to consider an offeror's past performance as an indicator of the likelihood that the offeror will perform successfully on the contract the official plans to award. The Office of Federal Procurement Policy's implementation of FASA significantly expanded the number

of contracts for which past performance is collected and subsequently used during the source selection process.

To respond to this challenge, the Army is developing an Internet protocol software system to assist in managing this increased volume of past performance information. The Past Performance Information Management System (PPIMS) will serve as the central repository for the Army-wide collection and utilization of contractor past performance information. Only authorized personnel will have access to the contractor past performance evaluations in the PPIMS database. The PPIMS uses a user identification and password system to authenticate users and control access. The contractor performance evaluations contained in the PPIMS are considered “Source Selection Information” and will be protected from disclosure to unauthorized persons and protected to ensure data availability, integrity, and confidentiality. The PPIMS is for use by government personnel only. Upon request, a contractor may obtain a copy of all evaluations being retained on his organization.

Contractor evaluations will be prepared on an interim basis and at time of contract completion on all contracts over \$1 million. Upon completion of the evaluation, to include any contractor rebuttals, validation of the rating, and contracting officer approval, the data will be posted to the database and available for use in the source selection process. The original hard copy with hand-written signatures will be retained by the cognizant contracting official in the local contract file. Past performance data will be retained for three years after contract close-out to provide source selection information to support future award decisions.

The PPIMS will be available to begin data input in late Spring 1997. Contracting offices will be granted initial access to PPIMS incrementally through a 10-week period. For additional information regarding the PPIMS, contact Thomas Colangelo in the Procurement Initiatives Directorate, SARD-PI, at (703)681-7558.

### Army Still Charging Ahead...

#### First DOD Activity Converts Cardholder Accounts To New Software And Implements Certifying Officer Legislation

Being first is nothing new for the Army. The Army continues to be the single largest user of the International Merchant Purchase Authorization Card (IMPAC) in the federal government, in numbers of sales, transactions and cardholders. Now, the Army is leading the way in implementing other approved recommendations of the DOD Acquisition and Financial Management Purchase Card Integrated Process Team, which presented results of its report to the Under Secretary of Defense (Comptroller) and the Deputy Under Secretary of Defense (Acquisition Reform) in June 1996. The report made numerous recommendations to improve and streamline the current purchase card program and several of those recommendations included maximizing automation and streamlining the reconciliation, accounting and bill paying processes.

In order to implement many of the changes, OSD sought to have the current bank, through GSA, make changes to

their IMPAC software platform. As an alternate, the bank offered to convert current DOD cardholder accounts from the Rocky Mountain BankCard System (RMBCS) IMPAC data platform to a new corporate payment system (CPS) data platform. The new software platform, CPS, is operated by RMBCS's parent, First Bank System, and is used by their commercial customers. The CPS is more flexible and will allow for better/easier cardholder maintenance and report generation for the local Agency Program Coordinators (APCs). The new software will also allow carryovers of unpaid balances at the cardholder level and will allow the bill to be invoiced to the approving official—both initiatives identified as necessary to streamline the reconciliation and bill paying process. Most cardholder information will be automatically "rolled over" or transferred to the new platform but some maintenance on cardholder accounts may have to be accomplished. New cards will be issued, however, the issuance will be conducted in a way that a valid card will always be available to existing cardholders. The bank will train and qualify all agency program coordinators on the use of the automated tools of the software (FirstLink and FirstView).

Concurrent with the software conversion, the bank will invoice to and the Army will certify for payment by the approving official. The certification for payment will implement recent Certifying Officer Legislation as detailed in the Under Secretary of Defense (Comptroller) memorandum of Oct. 17, 1996, subject; Purchase Card Reengineering Implementation Memorandum #1: Certifying Officer Guidance. Approving officials will now be authorized to "certify for payment" cardholder monthly statements of accounts. This will allow DFAS to disburse payments without additional reconciliation and certification responsibilities.

Finally, and concurrent with the above conversion, the Army will implement the Military District of Washington's "Checkbook System" as its automated cardholder reconciliation program. This program will replace the current manual log-keeping requirement placed on the cardholders and assign a single line of accounting for each card. Two electronic interfaces are being developed for the program; the Defense Finance and Accounting Service (DFAS) is creating an electronic interface between the cardholder reconciliation software and the supporting accounting system, and the Defense Manpower Data Center is developing an interface between the reconciliation system and the bank. While the reconciliation programs are available now, the interfaces should be developed and available within the year.

In addition to increasing the savings with the card's use and making the process more responsive to the cardholders, these three initiatives will result in collateral savings from a reduction in the workload performed by DFAS. As the Army initiates bulk funding, uses a single line of accounting for each card, and assumes certification authority, OSD has promised a significant reduction in DFAS charges.

The Army piloted the new software conversion at four of their installations during February 1997, and will transfer all cardholder accounts (40,000+) by the end of June 1997.

## Installations Benefit From Javits-Wagner-O'Day Act Stores

The Javits-Wagner-O'Day (JWOD) Program is a mandatory source program enacted under Public Law 92-28 and implemented at FAR PART 8. Under the Program, the federal government obtains supplies and services from nonprofit agencies employing persons who are legally blind or have other severe disabilities. The central nonprofit agencies are National Industries for the Blind (NIB) and National Industries for the Severely Handicapped. They, in turn, authorize buys directly from their participating agencies (i.e. Lions Clubs Industries, Lighthouse for the Blind).

A wide range of products are made by these agencies, such as sewn products and writing instruments, and are marketed under the Skilcraft trade name. Services that are available from these agencies include the operation of Self Service Supply Centers (SSSCs) and food service at installations.

In the wake of wholesale closures of SSSCs at Army installations, customers for the supplies previously available from SSSCs, had to shop downtown or order and wait for delivery of supplies from the General Services Administration. In order to respond to the supply problems caused by the SSSC closure at Fort Bragg, the Commander entered into an agreement with Lions Clubs Industries, to operate a store on the installation. It stocks a mix of items from GSA sources, NIB-produced items, and commercially supplied products. Examples of stocked items include office supplies, calendars, batteries, cleaning supplies, locks, tools. Items not stocked, would be obtained rapidly. Payment is made by the government IMPAC card. The success of that mutually beneficial arrangement has been followed with agreements between NIB agencies and Forts Campbell, Drum, Stewart, McClellan and several others are currently being negotiated. Benefits reported by Installation Directors of Logistics and Contracting include the following:

Immediate fulfillment of supply needs; Reduced paperwork; Large selection of authorized items; Opportunity to view items purchased; Support for contingency operations within hours of notification; Savings on the cost of items; Liberal return policy; Government manpower not used; Eliminates travel to town to obtain supplies; Recycles items, i.e. toner cartridges; and Fulfills requirements of the JWOD Program.

## What A Difference A SPEC Makes

Use of a performance specification and reliance on commercial products to satisfy its requirement for the M22 Binocular, the U.S. Army Tank-automotive and Armaments Command—Armament and Chemical Acquisition and Logistics Activity (TACOM-ACALA) will avoid costs of more than a half million dollars over the life of the contract. The application of acquisition reform principles to this procurement allowed the IPT to make common sense decisions to streamline requirements, adopt commercial packaging and quality assurance methods and implement an effective Best Value competition which considered bid samples, limited technical proposals, past performance and price. **BOTTOM LINE:** Reduced unit cost and reduced administration/production lead time.

For additional information on this article, contact LTC L. Hooks on (703)681-9479 or e-mail: [hooks1@sarda.army.mil](mailto:hooks1@sarda.army.mil).



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH DEVELOPMENT AND ACQUISITION  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

03 SEP 1997

SEP 05 1997



SARD-PI

MEMORANDUM FOR SEE DISTRIBUTION


SUBJECT: Delinquent Invoices from Rocky Mountain Bank Card System  
(RMBCS) for the International Merchant's Purchase  
Authorization Card (IMPAC)

Department of the Army (ASA(RDA) and ASA(FM&C) will be taking action to finalize the payment status on the 597 delinquent RMBCS invoices dated September, 1996 and prior. This settlement will be negotiated between RMBCS and Department of the Army and will be reviewed by the Office of the General Counsel prior to finalization.

To preclude settlement of invoice amounts withheld due to on-going fraud investigations, it is requested that all invoices with on-going investigations of improper charges or unresolved disputes that effect invoices dated September 23, 1996, and prior be reported to this office no later than September 19, 1997. Electronic messaging is encouraged and negative responses are required. A format for this adhoc report is enclosed.

Agency Program Coordinators and supporting Resource Management and Pay personnel should refocus IMPAC reconciliation efforts to clearing FY 97 invoices as well as any existing delinquent accounts on the new CPS platform.

Point of contact is Mr. Bruce E. Sullivan, SARD-PI, (703) 681-7564/(DSN) 761-7564/(e.mail) [sullivab@sarda.army.mil](mailto:sullivab@sarda.army.mil).

  
Thomas W. Colangelo  
Director, Procurement Initiatives

Enclosure

DISTRIBUTION:  
PRINCIPAL ASSISTANTS RESPONSIBLE FOR CONTRACTING  
HQ, U.S. Army Materiel Command, ATTN: AMCRDA-AC (PARC),  
5001 Eisenhower Avenue, Alexandria, VA 22333-0001



August 5, 1997

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES  
DIRECTOR, DEFENSE MANPOWER DATA CENTER

SUBJECT: Purchase Card Reengineering Implementation Memorandum #5: Accommodation Checks

The "Joint Report of the Purchase Card Financial Management Team and the Purchase Card Integrated Product Team to the Under Secretary of Defense (Acquisition and Technology) and the Under Secretary of Defense (Comptroller)" proposed the use of locally-issued checks as an alternative to imprest fund cash in those instances where use of the purchase and travel cards cannot satisfy the requirement.

The attachment to this memorandum promulgates the policies necessary to implement the use of locally-issued "accommodation checks" throughout the Department of Defense (DoD). These policies are applicable to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the DoD; the Defense Agencies and the DoD Field Activities. These policies are effective as specified herein. The Heads of the DoD Components shall ensure that this guidance is adhered to in day-to-day operations and in the design, modification, and maintenance of the DoD Component's procurement and financial management systems.

My staff contact is Mr. Ronald D. Good. He may be reached through e-mail address: [goodr@ousdc.osd.mil](mailto:goodr@ousdc.osd.mil) or at (703) 697-0585 (DSN prefix 227).

(Signed)

Alice C. Maroni  
Acting Under Secretary of Defense  
(Comptroller)

Attachment

*End 4*

DEPARTMENT OF DEFENSE  
POLICIES AND PROCEDURES FOR  
ACCOMMODATION CHECKS

A. PURPOSE

To establish Department of Defense (DoD) policies for the use of accommodation checks.

B. APPLICABILITY AND SCOPE

These policies are applicable to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the DoD; the Defense Agencies and the DoD Field Activities (hereafter referred to collectively as the "DoD Components").

C. RESPONSIBILITIES

1. The Under Secretary of Defense (Comptroller) shall develop, administer, maintain, monitor compliance with, and grant exceptions (as appropriate) to all financial management policies for the use of accommodation checks.

2. The Heads of DoD Components shall implement, ensure compliance with, and recommend changes to these financial management policies for the use of accommodation checks.

D. BACKGROUND

1. The phased elimination of imprest funds for unclassified programs within the Department was announced on March 28, 1996. Effective October 1, 1996 (later extended to January 1, 1997) the use of imprest funds was eliminated at DoD activities within the continental United States (CONUS) and, effective October 1, 1997, imprest funds also will cease to be authorized outside the CONUS.

2. Subsequent to the March 28, 1996, announcement, a number of DoD activities indicated that the total elimination of imprest funds hinges on the availability of a local check instrument to replace small cash payments. Thus, on September 10, 1996, for those activities within the CONUS that required a local check product, the effective date of imprest fund elimination was extended.

3. Several pilots of the Department of the Treasury "FedSelect" check product were approved late in 1996 and early 1997 for testing within the Department by the Office of the Deputy Chief Financial Officer (ODCFO).

4. The General Services Administration concluded a contract modification with the Rocky Mountain BankCard System (RMBCS)/First Bank System (FBS) on February 21, 1997, thus making convenience checks available through the International Merchant Purchase Authorization Card (I.M.P.A.C.) program.



## **E. POLICIES**

1. **Electronic Funds Transfer:** The preferred method for DoD payments is electronic funds transfer (EFT), and it shall be used to the maximum extent possible. The Debt Collection Improvement Act of 1996 mandates that all DoD payments be made via EFT, effective January 1, 1999.

### **2. Imprest Funds**

a. The policy to eliminate imprest funds is based, in part, on the mandatory EFT requirements enacted as part of the Debt Collection Improvement Act of 1996. As a matter of policy, the Department does not support the continued use of cash payments from imprest funds.

(1) In lieu of imprest funds, maximum use shall be made of the governmentwide I.M.P.A.C. purchase card for micro-purchases of supplies and/or services and the travel card (i.e., an agency central billed account) for travel payments.

(2) The elimination of imprest funds in no way affects the authority of DoD disbursing officers and their designated agents to maintain cash holdings at personal risk.

(3) Exceptions to the above policy are authorized for contingency and classified operations. Specific requests for deviations from, or exceptions to, this policy shall be submitted to the ODCFO for consideration. Such requests must contain adequate justification and demonstrate that the use of the governmentwide purchase card, travel card, or other reasonable alternatives are not feasible for the specific situation.

b. Generally, imprest fund cash is not to be replaced by the check products identified herein. The intent, in lieu of imprest funds, is to use the governmentwide (1) I.M.P.A.C. for purchases of supplies and services; or (2) travel card (currently American Express), to include agency centrally-billed accounts.

c. All DoD activities shall, to the maximum extent feasible, redirect their effort to finding imprest fund alternatives--such as the governmentwide purchase card and travel card (i.e., agency central billed account). Only after card product alternatives have been exhausted should a check product be considered in place of imprest funds.

d. Exceptions to elimination of imprest funds shall be considered only on a case-by-case basis. Each DoD Component shall screen all requests for exception and, for those cases that warrant further consideration, separately justify the need (with alternatives examined) to the ODCFO through the respective Military Department Office of the Assistant Secretary (Financial Management and Comptroller) or the Defense Agency Comptroller, or equivalent. Such requests must contain adequate justification and demonstrate that the use of the governmentwide purchase card, travel card, or other reasonable alternatives are not feasible for the specific case.

### 3. Accommodation Checks

a. Although the preferred method of payment is via EFT, accommodation checks provide an alternative to cash, third-party drafts and U.S. Treasury checks when the use of purchase or travel cards is not feasible. Accommodation checks eliminate the need for cash on hand for imprest fund transactions.

b. Accommodation checks give issuing DoD activities the flexibility to issue low volume and low dollar value payments on-site.

c. Accommodation checks shall be available at those DoD activities that identify a need to issue accommodation checks, in lieu of cash, where purchase and travel cards have proven ineffective.

d. The minimum requirements to establish a local check-writing capability are as follows. [Note: Specific conditions for establishing accommodation checks are detailed in Section F, Procedures.]

(1) The use of accommodation checks must be considered advantageous to the DoD activity, after evaluating all alternatives to accomplish the same purpose.

(2) Before an accommodation check is used the paying agency must make every effort to use the purchase or travel card to make necessary purchases. Maximum efforts shall be made to find and use vendors that accept the purchase card (I.M.P.A.C.) as the primary payment vehicle, e.g., the use of electronic or telephone catalog ordering services coupled with overnight delivery.

(3) The authority to maintain a check-writing system (checkbook) shall be justified on an individual organization basis, and controlled and monitored by the DoD activity. Automated reports from the check providers are available to provide oversight.

(4) The number of checkbooks shall be limited to as few as possible, preferably one per DoD installation and not to exceed one per DoD tenant activity or autonomous location.

(5) All organizations authorized to maintain accommodation checks also should hold an active (in good standing) purchase card before approval of an accommodation check account--although convenience checks must be maintained under a separate ("cardless") purchase card (I.M.P.A.C.) account and number. An accommodation check cashier may hold an I.M.P.A.C. purchase card as long as separate accounts are maintained and the policies and procedures established herein are observed.

(6) Appropriate internal controls, to include at least one level of approval above the check writer (i.e., an approving official), shall be maintained by each using DoD activity.

(7) Each accommodation check account shall be audited quarterly on an unannounced basis, by an officer or equivalent DoD civilian employee who is independent of the office maintaining the account.

e. DoD Component activities may adopt one of the following accommodation check products, upon appropriate justification and approval (see Section E, Procedures):

(1) Purchase card convenience checks (issued under the I.M.P.A.C. program by RMBCS/FBS).

(2) FedSelect checks (currently available from the Chicago Financial Center, Financial Management Service (FMS), Department of the Treasury).

f. Both of the check issuing organizations identified in paragraph E.3.e. above, offer using DoD activities “stop payment” and retrieval capabilities, as well as an audit trail that permits the tracing of transactions. Also, these issuing organizations offer “Help Desk” assistance and reporting capabilities with a variety of reporting media and frequencies.

g. Each check product has distinct advantages and disadvantages associated with its use, to include cost considerations. While the purchase card convenience check provides an expedient solution, additional fiscal controls and automation of the FedSelect check offer distinct advantages, as well. Each DoD activity is encouraged to evaluate both products and make a selection based on costs and other factors associated with its use.

h. The Deputy Director for Finance, Headquarters, Defense Finance and Accounting Service (DFAS-HQ/F)--via its Office of Disbursing Management (located at the DFAS-Kansas City Center)--shall approve the establishment of accommodation check accounts, subsequent to request and justification by the sponsoring DoD activity. Upon request by the DoD activity and approval by the DFAS, the DoD activity may adopt one of the following accommodation check products:

(1) Purchase Card Convenience Check

(a) Purchase card convenience checks currently are provided through the GSA contract for the governmentwide purchase card (currently I.M.P.A.C.) by the issuing bank--RMBCS/FBS. The implementing contract modification is reproduced at Appendix A. The contract requires that RMBCS/FBS operate a convenience check writing system that allows DoD activities, including overseas locations (denominated in U.S. currency), to make selected minor purchases and payments using checks in lieu of cash.

(b) This product offers an alternative to cash for official expenses of DoD activities previously using imprest funds--after card products and other alternatives have been determined unusable. The Purchase card convenience checks shall not be issued for more than \$1,000.00.

(c) DoD purchase card convenience checks are supported from the FBS commercial purchasing system platform, which is being offered to the federal government as the “Corporate Payment System (CPS)”.

(d) DoD purchase card convenience checks shall be established as “cardless accounts” under the purchase card program.

(e) The purchase card issuer will (1) provide a supply of checks to the designated convenience check account holder, (2) process and pay the checks as they are presented through the bank check clearing system for payment within established maximums and authorization parameters established by the sponsoring activity agency program coordinator (APC) for each individual account holder, (3) provide a listing of the checks cleared on each account holder's billing statement (invoice), and (4) provide for storage of cleared checks for audit and retrieval purposes.

(f) The checks contain the following standard preprinted information: (1) "United States Government seal, (2) the statements "I.M.P.A.C.," "For Official Use Only" and "U.S. Government Tax Exempt," and (3) the maximum dollar limitation per check (i.e., \$1,000), as well as space for the date and the amount of the check. Also, other standard preprinted information is carried on the check specific to the sponsoring DoD activity's name and address and the account holder's name; thus, only the named individual may issue these checks.

(g) The checks are sequentially prenumbered, multiple-copy documents (with a minimum of at least one copy for the account holder's records).

(h) The convenience check account holder shall reconcile cleared checks and the resulting billing statement (invoice) against his or her retained records of issuance in accordance with standard payment practices established for the purchase card by "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures."

## (2) FedSelect Check

(a) The FedSelect check is a Department of the Treasury product, available from the FMS Chicago Financial Center, Department of the Treasury. FedSelect procedures are at Appendix B.

(b) The use of FedSelect checks has proven--through pilot applications--to be an efficient and cost effective alternative to other forms of payment. It has resulted in cost savings relative to payment costs, both to the DoD activity involved as well as to the DFAS.

(c) The FedSelect check is issued using a microcomputer based system that allows the using DoD activity to issue payments on-site and report issuance via interface to the FMS.

(d) The FedSelect check offers a low cost method to reimburse DoD personnel and vendors for small out-of-pocket official expenses, when purchase or travel cards are not feasible for replacement of cash. The FedSelect check may be used for transactions formerly paid from imprest funds and for other "on demand" payment needs. The FedSelect checks shall not be issued for more than \$1,000.00; however, an increase of this limitation may be approved by the OUSD(C) based on justification submitted under the Waiver Process of this policy.

(e) The FedSelect check provides a built-in reconciliation system in that, when the check is issued, the information is transmitted automatically from the DoD activity to the FMS

Chicago Financial Center. Paid information received from the Federal Reserve Bank (FRB) of Chicago is compared to the check-issue information received from the DoD activity.

(f) FedSelect checks are recorded in the FedSelect Customer Information System at the FMS Chicago Financial Center as the cashier is updating his or her check register and printing the check. The value of the issued check is charged (debited) to the issuing DoD activity's Agency Location Code (ALC) through the Government On-Line Accounting Link System (GOALS) the following business day for the aggregate face value of the FedSelect checks written. As this charge is cleared through GOALS, a corresponding entry also must be made to record the disbursement in the agency accounting system in order to properly reflect clearance through the "Statement of Transactions" monthly reporting process.

(g) DoD activities are required to execute an agreement with the FMS Chicago Financial Center under provisions of the Economy Act in order to receive authority to issue FedSelect checks.

(h) FedSelect checks are customized with the DoD Component logo or seal, and DoD Component/activity address and telephone number. [Individual payee's name is not carried on the check instrument, thus permitting multiple authorized signatures.]

(i) The issuing activity can monitor outstanding and cleared checks through printed and on-line reports.

## **F. PROCEDURES**

### **1. Authorization for Accommodation Check Account**

a. Requests to establish accommodation checks first shall be justified (in writing) by the resource manager or commander/director of an installation or tenant activity. Delegations of authority to maintain and use accommodation checks shall be rendered (in writing) specific to the activity approving/certifying official, check custodian, and cashier by the activity commander/director as directed below. [Prior coordination with the DFAS Office of Disbursing Management (located at the DFAS-Kansas City Center), telephone (816) 926-3198, and the servicing DFAS operating location is encouraged, especially for FedSelect checks.]

b. Upon approval by the resource manager and/or commander/director, the request shall be submitted to the Deputy Director for Finance, Headquarters, Defense Finance and Accounting Service (DFAS-HQ/F), via the Office of Disbursing Management, DFAS-Kansas City Center, 1500 East 95th Street, Kansas City, MO 64197-001, for final approval. Within 20 days, the DFAS shall notify the requester of its approval to establish an accommodation check account.

c. Requests disapproved by the DFAS that are deemed worthy of further consideration shall be referred to the ODCFO through the DoD Component headquarters senior financial management official for resolution.

## 2. Conditions for Establishing Accommodation Check Account

### a. Designation of Activity Approving/Certifying Official

(1) The activity approving/certifying official may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity to authorize and certify the issuance of accommodation checks by cashiers.

(2) In order to maintain effective internal controls, the activity approving/certifying official may not perform functions of accommodation check custodian or cashier.

(3) The activity approving/certifying official shall be held accountable and pecuniary liable for the accuracy of the payments. [See “Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures” for details of the “Payment Certification” and “Delayed Dispute Procedures” processes.]

(4) In the case of purchase card convenience checks, the “I.M.P.A.C. approving official (AO)” is the same as the activity approving/certifying official.

(a) The activity approving/certifying official shall be designated as the billing (invoicing) official and shall receive and certify payment of the billing statement (invoice) to the appropriate paying activity (e.g., a DFAS operating location).

(b) Also, I.M.P.A.C. convenience check accounts shall be established with approving/certifying official accounts separate from approving official accounts for purchase cards.

(5) In the case of FedSelect checks, the “FedSelect authorizing issuing officer” is the same as the activity approving/certifying official.

### b. Designation of Accommodation Check Custodian

(1) The custodian may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity’s accommodation check approving/certifying official to order, receive, store, issue, inventory, reconcile and dispose of check stock. [Each DoD Component and/or activity has the discretion of identifying the minimum grade level for its check custodians.]

(2) Each accommodation check account shall be under the custody of one individual who is not responsible for originating, approving, and processing the requirement for a check. An alternate custodian may be appointed with the same authorities as the principal custodian; however, the alternate is to act only in the absence of the principal.

(3) Both principal and alternate custodians, as applicable, may be held pecuniary liable for account transactions under their control.

(4) The accommodation check custodian may perform the functions of the accommodation check cashier.

c. Designation of Accommodation Check Cashier

(1) The cashier may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity's accommodation check approving/certifying official to inscribe (print), sign and issue checks. [Each DoD Component may establish a minimum grade level for its accommodation check cashiers.]

(2) The accommodation check cashier may perform the functions of the accommodation check custodian.

(3) In the case of purchase card convenience checks, only one named person shall be designated as the accommodation check cashier, and have authority to sign and issue convenience checks.

(4) An accommodation check cashier may hold an I.M.P.A.C. purchase card as long as separate accounts are maintained and the policies and procedures established herein are observed.

(5) In the case of FedSelect checks, the accommodation check cashier is authorized to operate the remote microcomputer equipment to print FedSelect checks. Also, primary and alternate cashiers may be established for FedSelect checks.

(6) Both primary and alternate cashiers, as applicable, may be held pecuniary liable for account transactions under their control.

d. Other Operating Conditions

(1) Accommodation check accounts shall be "bulk funded" in accordance with "Advance Reservation of Funds" policies delineated by the Under Secretary of Defense (Comptroller) memorandum of March 27, 1997, subject: "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures."

(2) Check amounts shall not exceed \$1,000 per check and always be issued for the exact payment amount, with a prohibition on splitting amounts across more than one check to keep below the \$1,000 limit.

(3) Accommodation checks shall not be issued as an "exchange-for-cash" vehicle to establish cash funds.

(4) Accommodation checks may be mailed, so long as internal controls are in place to avoid duplicate payments to payees.

(5) As appropriate, accommodation checks may be used for payments in overseas transactions up to \$2,500 in support of contingencies declared by the Secretary of Defense.

(6) The issuing activity is responsible for all administrative costs associated with the use of accommodation checks. At DoD Component election, the costs associated with the purchase of accommodation checks may be (a) included in the bulk obligation and accounted for as part of the purchase price or (b) treated separately as an administrative cost of the issuing activity.

### 3. Methods for Establishing Accommodation Check Accounts

a. Upon DFAS approval, normal account set-up procedures shall be followed to establish the accommodation check account product with either the purchase card issuer or the FMS Chicago Financial Center.

(1) Purchase Card Convenience Check: Appropriate application forms (see Appendix A) shall be completed and submitted through the DoD activity's existing purchase card hierarchical structure (channel), including approving official (AO) and APC. The application also shall include a copy of the DFAS and DoD activity/installation resource manager or commander (director) approval documents. A separate check account holder and approving official must be identified for each purchase card check account. [Each check account shall be established separately from a purchase card account and the approving official of that account shall receive a separate invoice for convenience check accounts under his/her jurisdiction.]

(2) FedSelect Check: DoD activities interested in establishing a FedSelect account should contact the FMS Chicago Financial Center at (312) 353-2064, to initiate implementation. DoD activities shall be granted authority by the FMS Chicago Financial Center to issue FedSelect checks by executing a FedSelect Agreement and associated application forms (see Appendix B). The request also shall include a copy of the DFAS and DoD activity/installation resource manager or commander (director) approval documents.

b. Applications shall not be submitted directly to the check issuing organization (RMBCS/FBS or the FMS Chicago Financial Center) without first attaining the authorization/approval of the DFAS. All applications submitted to the issuing organization without attachment of the appropriate DFAS approval shall be returned without action by the issuing organization.

### 4. Conditions for Using Accommodation Check Accounts

a. For accounts established with the purchase card issuer, agencies must maintain a current convenience check account status with no delinquencies, except for questioned items or items in dispute. Also, any entity under suspension of purchase card privileges automatically shall be suspended from use of the purchase card convenience check system.

b. Accommodation checks may be used for small purchases, when:

(1) Supplies or services are available for delivery within 15 days whether at the contractor's place of business or at destination.

(2) The purchase does not require detailed technical specifications or inspection.



c. Accommodation checks may be used for purposes not related to small purchases when such expenditures are authorized by other regulations, such as:

(1) Delivery charges associated with the purchase made with an accommodation check when the contractor is requested to arrange for delivery. These charges include local delivery, parcel post, including cash on delivery (C.O.D.) postal charges, and line haul or inter-city transportation charges, provided the charges are determined to be reasonable and acceptance is in the best interest of the government.

(2) C.O.D. charges for supplies ordered for payment with an accommodation check upon delivery.

(3) Civilian volunteers for participation in approved medical research projects.

(4) Travel advances when no disbursing official (DO) is available in the immediate area to effect payment, and the traveler does not have access to travel advances via automated teller machines through the governmentwide travel card.

(5) Local travel expenses (e.g., mileage allowance for travel in and around their permanent duty station not under travel orders) when no DO is available in the immediate area to effect payment.

(6) Transportation charges (not related to purchases).

(7) Payments to prisoners.

(8) Transportation passes or tokens.

d. Accommodation checks are prohibited from use for:

(1) Payment of salaries and wages;

(2) Travel advances or any other advances except as authorized above;

(3) Payment of travel claims (except for claims for local travel not under orders, when a DO is not available in the immediate areas to effect payment as authorized above);

(4) Payment of public utility bills;

(5) Purchase from contractors or contractor's agents who are military personnel or civilian employees of the government;

(6) Repetitive purchases from the same contractor when another method of purchase, such as a purchase card or blanket purchase agreement, would be more appropriate; or

(7) Payment of spot awards.

#### **G. WAIVER PROCESS**

1. The ODCFO may grant waivers to these policies (including higher dollar authority) for contingency operations and for exceptional circumstances.

2. Waiver requests for deviations from, or exceptions to, these policies shall be submitted for evaluation to the Military Department Office of the Assistant Secretary (Financial Management and Comptroller), the Defense Agency Comptroller, or equivalent. Waiver requests should be evaluated and approved or disapproved by the DoD Component Headquarters.

3. Waiver requests approved by the DoD Component Headquarters shall be submitted for consideration to the ODCFO. Such requests must contain adequate justification and demonstrate the need for a waiver or exception to the specific policy.

#### **H. EFFECTIVE DATE AND IMPLEMENTATION**

1. These policies are effective immediately. Both the purchase card convenience check and Treasury's FedSelect Check products may be established at this time.

2. The Heads of DoD Components shall ensure that these policies are adhered to in day-to-day operations and in the design, modification, and maintenance of the DoD Component's procurement and financial management systems.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL PROCUREMENT POLICY

March 14, 1997

MEMORANDUM FOR: AGENCY SENIOR PROCUREMENT EXECUTIVES  
AND THE ACTING DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION  
REFORM)

FROM: Steven Kelman, Administrator

SUBJECT: Electronic Catalogs

Electronic catalogs have become a prime method for us to take advantage of the operational efficiencies offered by evolving electronic commerce technologies. I encourage you, in your efforts to provide greater value to the taxpayer, to aggressively promote the use of Federal electronic catalogs. As our use of this evolving technology increases, however, there is a corresponding need for greater interagency coordination to maximize the effective use of electronic catalogs.

For purposes of this memo, I am defining a "Federal electronic catalog" as a Web-based electronic ordering system which involves:

- a contract with pre-established business arrangements with industry;
- a means for the customer to identify and order goods and services, either from within an agency (intra-agency) or by more than one agency (inter-agency); and
- sufficient information (updated to reflect changes) for the customer to compare the items offered by performance, price and delivery.

Over the years, Federal agencies have increased both the amount of electronically available product information and the number of electronic ordering opportunities. Initially this was done via electronic bulletin boards, where user access was limited and product information typically was text-based. We have made great strides as Federal agencies have developed catalog systems accessible to all through the World Wide Web. The Web allows users to access information and data on products from multiple Web-sites, often directly from the manufacturer.

Cutbacks, deficit reduction actions, and our ongoing quest for improved efficiencies have encouraged major purchasing agencies to move toward Web-

*End 5*

based electronic catalogs. As a result, a number of Federal agencies, including General Services Administration (GSA), Defense Logistics Agency (DLA), and the National Institutes of Health (NIH), have begun projects to move some or most of their indefinite delivery/indefinite quantity contracts to Web-based electronic catalogs. OFPP is monitoring the various multi-agency contracting strategies now being employed by GSA, VA, and other agencies to better understand their impact and overall effectiveness. The Director, OMB recently issued guidance on the use of multi-agency contracting for information technology in implementation of the Information Technology Management Reform Act of 1996 (OMB Memorandum M-97-07 dated February 26, 1997). OMB continues to review procurement-related matters on the use of multi agency contracts and will issue additional guidance in the future as appropriate.

Electronic catalogs offer two advantages. They require fewer resources to make repetitive purchases. And they offer opportunities for agencies to pursue more effective purchasing strategies. They can help us leverage our buying power through volume purchasing. Alternatively, they enable government customers to make "spot" purchases with on-line comparisons of the price, features, and performance of similar products and services.

In the fall of 1995, I formed an interagency task force to develop recommendations for Federal electronic catalogs. Several months ago, the group presented a report with guidelines and recommendations for Federal electronic catalogs. (Please contact Tony Trenkle at 202-501-1667 or [tony.trenkle@gsa.gov](mailto:tony.trenkle@gsa.gov) if you would like a copy of the task force report.) The task force recommends that you:

1. Link your existing contracts which support electronic orders to the ARNet. (See catalogs: <http://www.arnet.gov/References/References.html#catalog>). This includes both intra and inter-agency contracts. All electronic catalogs should be linked from ARNet, as well as provide a link to ARNet that will enable a user to access other Federal electronic catalogs. The objective is to allow the buyer to easily compare multiple catalog products, prices, and delivery schedules.

2. Create a common look and feel for new electronic catalogs. My intent is not to change existing contract displays. However, new catalogs should provide product listing, access, and search capabilities that are similar to GSA Advantage! or DLA's Electronic Mall so that buyers do not have to relearn commands each time they view a contract.

3. Use the American National Standards Institute (ANSI) Electronic Data Interchange (EDI) standard transaction set for Price/Sales Catalog 832. When EDI is used, this industry standard should be the methodology for creating a single face to industry for the purpose of integrating a Federal electronic catalog system with vendors who participate in it. Industry should be able to use normal commercial means for transmitting EDI transactions to the Federal electronic catalog system.

4. Provide the option of using the IMPAC card and other electronic payment methods appropriate for orders over the micro purchase threshold.

5. Use a flexible and non-proprietary (if possible) system architecture that can easily adapt to emerging Internet technologies. A flexible architecture allows for the widest possible access to data and distributed data storage, and does not limit the breadth and scope of the products and services which may be made available to the federal customer.

6. Use appropriate commercial technologies for security commensurate with the risk of misuse on the Internet and payment methodology.

7. Work towards a common method of placing orders. Agencies are experiencing problems with the differing scenarios for order placement (e.g., either directly to the vendor, with or without coordination with the awarding agency). We prefer that every agency place orders directly with the contractor with any reimbursement of agency costs through fees bundled in the price, which the contractor would be required to transfer back to the agency along with any other reporting the agency requires. Hardcopy orders should be acceptable in any format so long as the correct data elements are included.

I also ask that you work within your agency to make program people with access to purchase cards aware of the significant price savings, and often time savings as well, by buying products through electronic catalogs rather than retail outlets. The government has sufficient buying power so that we should be able to do better than the retail prices any individual consumer could obtain. I will be sharing this memo with your Deputy Secretaries to request their cooperation with you in getting this message out.

I am requesting the Interagency Acquisition Internet Council (IAIC) to form a working group to further develop and implement the task force's recommendations for Federal Electronic Catalogs. (The IAIC is sponsored by the Procurement Executives Association and is developing interagency strategies for maximizing the use of acquisition information and databases on the Internet. See the IAIC homepage at <http://www.arnet.gov/IAIC/>.) If your agency has or is planning an electronic catalog, please provide the name of an individual to serve on the work group to Ken Stepka (202-358-0492) or [ken.stepka@hq.nasa.gov](mailto:ken.stepka@hq.nasa.gov) by April 30. The IAIC work group will provide progress reports to the Electronic Commerce Program Office.

Your support and cooperation on this important effort are appreciated.

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ZNR UUUUU  
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FM DFAS CENTER INDIANAPOLIS IN//DFAS-IN-AQA//  
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AIG 9182  
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AIG 12100  
AIG 12525  
BT  
UNCLAS  
MSGID/GENADMIN/DFAS-IN-AQ//  
SUBJ/STANDARD DOCUMENT NUMBERS (ACCTG POL IMPL MSG 97-51)//  
RMKS/  
A. DFAS-IN-AM MSG, 241325Z OCT 96, SUBJECT: STANDARD  
DOCUMENT NUMBER FOR IMPAC.  
B. DFAS-IN REGULATION 37-1, TABLE 5-4.  
1. REFERENCE A PROVIDED A NEW FORMAT FOR THE STANDARD  
DOCUMENT NUMBER (SDN) FOR THE IMPAC PROGRAM. IN ORDER TO  
ALLOW FOR SOME LOCAL MODIFICATION, WE HAVE ALTERED THE  
FORMAT OF THE SDN FOR IMPAC PROGRAM. THE CHANGES IN THIS  
PARAGRAPH ARE EFFECTIVE WITH CONVERSION TO NEW (FIRST BANK)  
IMPAC PROCEDURES. FORMAT IN REFERENCE A SHOULD CONTINUE TO  
BE USED TO FINALIZE/CLEAN UP OLD ROCKY MOUNTAIN IMPAC BILLS.  
THE NEW FORMAT IS:  
A. POSITIONS 1 - 5: IMPAC  
B. POSITIONS 6 - 9: USE ONE OF THESE THREE OPTIONS:  
(1) CARDHOLDER INFORMATION  
(2) APPROVING OFFICIAL  
INFORMATION  
(3) JULIAN DATE OF THE INVOICE  
C. POSITIONS 10 - 14: CARDHOLDER OR APPROVING OFFICIAL  
INFORMATION  
2. EFFECTIVE OCTOBER 1, 1997, THE REQUIREMENT FOR THE  
CALENDAR YEAR IN REF B FOR MISCELLANEOUS OBLIGATION  
DOCUMENTS, TUITION ASSISTANCE, PETROLEUM, OIL AND LUBRICANT  
PAYMENTS, AND REIMBURSABLE WORK AUTHORIZATION IS CHANGED TO  
FISCAL YEAR.  
3. THIS MESSAGE CONSTITUTES A CHANGE TO REFERENCE B.  
4. POC IS KAY C. JOHNSON, 317-542-3272 OR DSN 699-3272.//  
BT  
#0001

NNNN

*Encl 6*

## STANDARDS FOR INTERNAL CONTROLS

The Comptroller General of the United States established 12 standards (five general standards, six specific standards and one audit resolution standard) for defining the minimum level of quality acceptable for management control systems in operation. These standards constitute the broad criteria against which systems are to be evaluated and apply to all operations and administrative functions in the Federal government. Every manager is responsible for ensuring that management controls in each organization are in conformance with these standards.

**a. General Standards.** General management control standards apply to all aspects of management controls.

**(1) REASONABLE ASSURANCE.** Management control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.

**(2) SUPPORTIVE ATTITUDE.** Managers and employees are to maintain and demonstrate a positive and supportive attitude towards management controls at all times.

**(3) COMPETENT PERSONNEL.** Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good management controls.

**(4) CONTROL OBJECTIVES.** Management control objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete. Control objectives are the positive effects that management tries to attain on adverse conditions/negative effects that management is seeking to avoid.

**(5) CONTROL TECHNIQUES.** Management control techniques are to be effective and efficient in accomplishing management control objectives. Management control techniques are the mechanisms used to achieve control objectives including, but not limited to, specific policies, procedures, organization arrangements, as well as essential physical measures.

**b. Specific Standards.** There are several management control techniques that are critical to providing reasonable assurance that the management control objectives will be achieved. These critical techniques are known as the Specific Management Control Standards.

**(1) DOCUMENTATION.** Management control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

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(2) **RECORDING OF TRANSACTIONS AND EVENTS.** Transactions and other significant events are to be promptly recorded and properly classified.

(3) **EXECUTION OF TRANSACTIONS AND EVENTS.** Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

(4) **SEPARATION OF DUTIES.** Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

(5) **SUPERVISION.** Qualified and continuous supervision is to be provided to ensure that management control objectives are achieved.

(6) **ACCESS TO AND ACCOUNTABILITY FOR RESOURCES.** Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained.

**c. Audit Resolution Standard.**

- **PROMPT RESOLUTION OF AUDIT FINDINGS.** Managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete, within established time frames, all actions that correct or otherwise resolve the matters brought to management's attention.



SEP 09 1997



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH DEVELOPMENT AND ACQUISITION  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

03 SEP 1997

SARD-PI

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Reporting Purchase Card Fraud

Recent investigations into improper use of the IMPAC purchase card by cardholders and fraudulent/duplicative charges by vendors/merchants have revealed the need to restate existing guidance to Program Coordinators, Approving Officials and Cardholders.

An essential element in protecting the Government's rights under the existing GSA schedule with Rocky Mountain BankCard System is the Government's responsibility to formally dispute (via delivery to the bank of the Cardholder Statement of Questioned Items form) all "other-than-cardholder" instances of fraud. The Government has up to 60 days from initial receipt of the cardholder Statement Of Account (SOA) to formally dispute charges. Non adherence to this policy will result in the loss of our capability to protect the Government's interests.

Cases of duplicative charges and charges not authorized or made by the cardholder are to be **immediately disputed** with the bank. Once vendors are suspected of fraud, any further communication between the vendor and the cardholders is to be cleared and coordinated with the appropriate procurement fraud advisor and, if appropriate, investigative personnel, so as not to compromise on-going investigations.

All instances of suspected fraud or improper use by cardholders are to be aggressively investigated with appropriate disciplinary/criminal actions taken in a decisive and timely manner. Disciplinary actions are to be taken in accordance with AR 690-700 Chapter 751. Commands are encouraged to maximize dissemination of information pertaining to actions taken on individuals due to improper use of the card. Knowledge that the Army will not tolerate improper use of the card is considered a key deterrent to abuse.

A handwritten signature in cursive script, reading "T W Colangelo".

Thomas W. Colangelo  
Director, Procurement Initiatives



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4 August 1997

MEMORANDUM FOR RECORD

SUBJECT: Trip Report - IMPAC Training Symposium, New Orleans, LA

1. DATES: 28 July - 1 August 1997
2. ATTENDEE: Mrs. Pat Boterweg
3. PURPOSE: Attend annual user's conference sponsored by the IMPAC contractor, Rocky Mountain Bank Card System (RMBCS).
4. PERSONS CONTACTED: Rocky Mountain Bank personnel (Dave Clonts, Dave Langenberger), SARDA staff (Mr. Bruce Sullivan) Ms. Kathy Miller (ASAFM&C) and FORSCOM Agency Program Coordinators (APCs) and Resource Managers from Army Atlanta Contracting Center and Forts Bragg, Buchanan, Carson, Devens, Dix, Charles E. Kelly Support Facility, Lewis, Polk and Stewart (Forts Campbell, Drum, Irwin, Indiantown Gap to attend West Coast Conference later this month). Forts McCoy and Drum could not attend either conference due to lack of travel funds.
5. DISCUSSION:
  - a. Registered at 1800 and received conference materials. Registration was followed by a welcoming reception, which provided the opportunity to talk to FORSCOM installation personnel and counterparts from other commands.
  - b. General Session (0830-1130, Tuesday, 29 July).

Theme for the week was Partnership for Success. Speakers included Mr. Steven Putney, President of First Bank Corporate Payment Systems (CPS); Dan Frate, President of Payment Systems, First Bank, Inc.; Rob Robins, Executive Vice President of Market Development/Merchant Relations for Visa USA; Woody Landers, Assistant Regional Administrator for Federal Supply Service (FSS), General Services Administration (GSA), Fort Worth, TX regional office; Carolyn Alston, Deputy Assistant Commissioner, Office of Acquisition, GSA; Jeanne R. Askvig, General Manager of First Bank Service Center in Fargo, ND; Chris Pieroth, Senior Vice President of Government Products at First Bank; and Sam

*End 9*

Huff, former champion NFL football player and senior executive of Marriott Corp (luncheon speaker).

The General Session consisted of presentations publicizing First Bank, Visa USA, and GSA accomplishments. First Bank is the largest provider of purchase cards. It was announced that First Bank has acquired US Bank and will assume the name US Bancorp in August 1998.

GSA completed three contract modifications this year (addition of convenience checks, facilitation of interagency transactions (DAPS, DLA, GSA), and the conversion to CPS data platform.) There are currently 240K cardholders with a projection of 10M transactions and \$4B in sales in 1997. The current contract expires in November. A draft solicitation was issued in May. Final comments have been incorporated, and the new solicitation will be issued in August.

c. Sessions attended during the training symposium:

(1) GSA Presentation. Charlie Little, GSA Regional Office, Dallas, TX, talked about the four GSA/FSS Business lines (Excess personal property, Supply and Procurement, Fleet Management, and Travel/Transportation Services.) He introduced Ms. Martha Orr, Department of Veterans Affairs, who discussed the Veterans Administration's one-day file turn payment process and the success of this initiative (\$2M in contract rebates.) Mr. Paul Kelly and Ms. Marty Eisentrout gave excellent presentations on the benefits of the Javits-Wagner O'Day program (NIB/NISH.) A video is available upon request (free) for cardholder training classes. A handout entitled, "Buyers Guide to Buying JWOD Products" was also provided as a handout for cardholders.

(2) Corporate Payment Systems Electronic Access Options. This session gave technical information on the software and hardware requirements, reporting level profiles, and how to select SICs. First View is a desktop reporting and analysis tool. On-line access is an account query tool. First Link is for account set up and maintenance. On-line access screens give billing history for 12 months, charge details, unbilled transactions (charges since the end of the last cycle), and authorizations. CompuServe is used to access First Link; calls are limited to 60 minutes. System is password protected. (We received manuals, software disks, and signed license agreements; passwords will be mailed in approximately two weeks.) The system has the capability to capture details of cardholder purchases, however, DOD has

chosen not to use this feature. I assume this is because purchase details will be available using the Army's automated Purchase Card Management System.

(3) Corporate Payment Systems First View Demonstration. This was a very popular session which gave APCs an opportunity to become somewhat familiar with reporting capabilities available through CPS. A one day class in Microsoft Access is strongly recommended for all APCs. This class, while helpful, did not provide sufficient training in itself. It did, however, give FORSCOM APCs an opportunity for hands on training that we did not get in the March APC training at Indianapolis due to a technical problem.

(4) How to Handle Disputes. Most common valid dispute reasons: (1) merchandise returned; (2) item/service not received; (3) credit not received; (4) unrecognized charge; and (5) duplicate processing. Invalid disputes include exchange rates, taxes, and shipping/handling charges. Most common reasons for a rejected Cardholder Statement of Questioned Item (CSQI): Invalid disputes mentioned above, failure to provide required supporting documentation, and CSQIs processed outside the 60 day window. The instructor walked the attendees through proper completion of the CSQI form. Excellent question and answer forum and handout appropriate for cardholder training.

(5) Corporate Payment System Invoice and Payments. Local agency invoice certification will simplify the purchasing flow. The "estimated" interest now being calculated by RMBCS has been eliminated under CPS. Billing statements will only show interest paid by DFAS. Army and RMB recommend paying the entire invoice in full (no invoice adjustment (NIA)) and processing CSQIs for credit on next statement. Approving Official (AO) is responsible for tracking and keeping a dispute log to ensure credits are received. Paper checks are a temporary fix -- payment options will be via ACH or modem. Billing limit is the AO's three month spending limit (i.e., \$10K per month x 3 months.) The billing limit does not replenish monthly, but allows the "company" to remain in a no-pay status for 3 months before the account is suspended. The spending cycle and billing cycle will revert back to the same date under CPS (23d of the month for Army.)

(6) Merchant Acceptance. This session focused on educating the vendor base and establishing merchants as purchase card acceptors to maximize the program. Transaction levels 2 and 3 details for commercial credit

cards were introduced. Visa level 2 may require an upgrade to merchant's POS equipment (VISA will help with cost). Level 1 contains the same information as that on your own personal card. Level 2 gives dollar amount of sale/refund, transaction reference number, transaction date, posting date, supplier/merchant name, supplier location, and merchant category code. Visa level 3 (line item detail) is presently under construction.

(7) IMPAC Check. This was a very popular session at the conference. Visa checks (accommodation checks) are now available with CPS and will be available under the RMBCS program in September. However, agencies may not use them until DOD issues implementing guidance. DOD draft guidance is being revised to eliminate unduly restrictive controls. Checks will allow use of IMPAC when the card is not accepted. There are some additional limitations, however. The fee must be paid by the Government (either one percent of the transaction amount, or based on average file turn). There will be a \$25 stop payment fee imposed. If a check does not post before the end of the cycle date, a card holder could overspend his limit and the check would be returned to the merchant (NSF fee is \$15.) Account holders must manage 30 day limits! Review of statements is critical. There is a cost of \$2 for duplicate checks (however, the checkbook offers a duplicate copy feature.) There is no cost for the checks themselves. Checks are a contract-approved design (blue with white stars), personal size, packages of 150 checks, check register included, IMPAC check cover. Phrases will be printed on all checks (IMPAC, For Official Government Use Only, US Gov't Tax Exempt, Not Valid after 60 Days, Not Valid for Cash.) There can only be one account holder per checkbook. CSQIs are not used with checks and there is no dispute process. IMPAC checks give flexibility when the card is not accepted.

(8) Technology Hands On Time. Computers and instructors were available for additional hands on time for use of First View software.

d. FORSCOM APC meeting.

On Tuesday afternoon FORSCOM hosted an agency program meeting. Approximately forty program coordinators and resource managers from FORSCOM (and other MACOMs) attended. Also in attendance: Dave Clonts and Dave Langenberger, IMPAC Services; Kathy Miller, ASA(FM&C); and Bruce Sullivan, SARDA.

Installations were commended for successfully reducing the IMPAC delinquency, and our plan to close out the delinquency was presented to attendees. All agreed that 29 August was an acceptable date for processing and paying remaining delinquency. Installations were asked to resolve current year debt (with exception of disputes) and FORSCOM would pay prior year balance. Credits should be applied where appropriate. Kathy Miller commended FORSCOM, both in our meeting and in the Army meeting the next day, for having an action plan and reducing our delinquency. No other MACOM has done as well as we have.

Conversion to CPS platform was addressed. Candace Johnson, Fort Lewis APC, shared lessons learned under the pilot program. All APCs have submitted applications for First View passwords. Rocky Mountain Bank advised that passwords would be mailed in about two weeks (manuals and software were distributed after the Army meeting the next day.) No new cards will be issued for another two-three weeks. Several problems with conversion were discussed. For example, cardholders with no Approving Officials did not migrate to the new platform. Some cardholders received new cards but do not show up on the APC's list of CPS cardholders. Rocky Mountain Bank was requested to notify APCs of cardholders not activating cards within the ten day window to prevent cards from being canceled. Another problem surfaced was that changes under CPS are made by batch and not real time. Rather than being effective immediately, changes will all be made once daily (1900 Central time) and will be effective the following day.

Use of cards for interagency fund transfers (DAPS) was briefly discussed. Also, Mr. Sullivan gave a heads-up on the Process Action Team working on use of the card in the transportation arena (shipping of household goods, PCS travel, freight shipments, etc.)

Master contracts were discussed. Installations were reminded of the importance of acting on LTG Fisher's guidance to establish master agreements. Installations reported that customers are reluctant to identify commodities/sources for their most frequently purchased items. They were reminded that we would be coming out with a data call soon, as we will update the Chief of Staff in the November timeframe. Only Forts Bragg, Carson, Hood, Dix, and Drum indicated progress in using master contracts.

Several APCs met informally later in the week and had an informative "swap" session on training tools, materials, invited speakers, etc.

for local training classes.

e. Army meeting.

Bruce Sullivan and Kathy Miller discussed how DOD business practices relate to use of the card as a payment method over \$2500. Bulk funding is encouraged, but not required. There are no purchase limits for use of the card for interagency fund transfers other than the limits in the contract; these are not payments under a commercial contract, but replace MIPRs. Future expansions of the IMPAC program include more intra-agency transactions, use of IMPAC checks, and use in transportation (Working Group now studying.) Verification of savings (\$92.60 per transaction) audits to start in August at the same five installations previously audited (includes Fort Lewis.)

Management Control Issues addressed:

Fraud. The GSA contract provides protection against merchant/vendor fraud. We are not liable for transactions not made. We can choose to use the dispute process or withhold payment. SARDA recommends we not withhold payment, but use the dispute process (pay and chase.) You cannot withhold payment for cardholder fraud as the cardholder is authorized to make purchases. We need to convey to cardholders the level of attention that CID is giving to fraud. We should take immediate and decisive action against abuse and notify CID of potential criminal violation.

Splitting purchases. Splitting a purchase is intentionally keeping the purchases within cardholder limits to maintain control of the buy. We need to look closely at the situation.

Delinquencies. We have made progress. We must close out RMBCS delinquency. Department of Army is developing final closeout strategy. We will soon be asked to identify which invoices cannot be paid in full because of pending investigations. Nearly \$12.5M over 60 days old was still owed as of last week. Three of the largest delinquent accounts identified belong to FORSCOM installations (2930, 3456, and 5340); all are in process of being paid.

CPS Conversion. Last Army cards will be released by 1 Aug. Cards have gold border. Activate upon receipt.

Miscellaneous information from question and answer session:  
- Payments over \$2500 can be identified in First View for reporting purposes (we will not be asked to track these.)

- OSD has agreed to revise the Longuemare memo requiring SES/GO approval of purchases <\$2500 not made with the card. (Army has not endorsed.)
- Army is issuing a memo on fraud/split purchases which should be out of counsel in about two weeks.
- Don't worry about the automated cardholder reconciliation system, PCMS. Wait until the final version is out (there are too many bugs in it at present.) Military District of Washington is currently negotiating an MOA to transfer the system to DFAS. This will be done when MDW completes the multi-user version. DFAS will be distributing the use manual when complete (under final review.) We will probably have to attend another training class (funding not addressed.)
- Recommend card use not be cut off before the end of cycle in September; control closely from 21st to 30th.
- IMPAC checks can't be used in Army until DOD gives us implementation policy. Dr. Hamre to loosen up on the strict requirements for use up to the micropurchase threshold.
- Raising the micropurchase threshold will be relooked, but probably will not happen this year.

#### f. Military Forum.

Defense Logistics Agency. CPT Bill Jenkins (USN), Deputy Executive Director, Procurement Directorate. DLA is the combat logistician for readiness. Visibility of inventory is readiness. By the end of this year, DLA will make all stock available to users via IMPAC on the electronic mall. DLA works in parallel to GSA Advantage. DLA now has a merchant account (looks like a vendor.) Small business participation has been pushed down to Prime Vendor contracts. MRO Prime Vendor is the same concept as IGA - many small businesses participate. The Strip mall is now available (takes MILSTRIP requisitions.) DLA is buying entire catalogs (e.g., Boeing). Mega malls are two-three years away. DLA strongly supports the purchase card.

Office of the Secretary of Defense. Major Brian Lee, OSD Comptroller, discussed where have we been, where are we now, and where are we going? Our implementation of the purchase card was less than perfect. We "paved the cowpath." He discussed the 57 recommendations of the DOD Working Group for improvement. Major Lee defined the "as is" process and established the "to be" process. Efforts were guided by removing impediments and flexibility. DOD agencies are now implementing recommended best business practices.

Department of Army. Bruce Sullivan, SARDA, announced that Dr. White approved the Best Business Practices report 16



June and told functional elements to implement. Website is [www.purchasecard.dfas.mil](http://www.purchasecard.dfas.mil). Bruce shared lessons learned from the Army's conversion to CPS.

Department of Air Force. Chief Williams reported that Air Force is at 82 percent usage with IMPAC. They will convert to CPS 14 Oct-28 Nov. They will also use PCMS as automated reconciliation system. They will certify invoices at the Financial Services Officer (FSO) level. Approving Officials will submit statements to FSO after the fact to confirm receipt. This will eliminate interest and capture rebates.

Department of Navy. Clyde Welker, Naval Supply System Command, discussed how Navy authorized use of IMPAC for telecommunication services, common use HAZMATs, fuels, unpriced services, and subsistence. Separation of function was relaxed. Purchase requests were eliminated. Expanded applications include pierside purchase card, inter-agency transactions, payment with purchase card on husbanding contracts, streamlined purchasing agreements, on-line catalogs/contracts, and ship stores.

Defense Manpower Data Center (DMDC). Major Brian Lee presented the slides prepared by a briefer who was unable to attend. Main purpose of DMDC involvement with IMPAC is to monitor fraud, waste and abuse. They will pull transactions files from CPS. Uses Oracle data base and can pick up on trends not visible to AOs/APCs. All services are adopting MDW's PCMS software. They are developing fraud criteria with CPS. DOD IMPAC Service Group web site (for demo purpose only) is <http://www.dmdc.osd.mil:8887/impac/>. Logon account number is 47165725; password is password. DMDC POC is Mark Breckenridge or Philip Wolcott at (408)583-2400. Major Lee emphasized that the common thread in the delinquency situation was that the problem was compounded by failure to follow up and track reports. APCs must oversee the program.

g. Training symposium concluded at noon on Friday, 1 August. Proceeded to airport and returned to Atlanta at 1700.

PATRICIA A. BOTERWEG  
Procurement Analyst